

**KELLY WATER DISTRICT**  
**Kelly, Louisiana**

**Annual Financial Statements**

**As of and for the Year Ended**  
**October 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/6/08

KELLY WATER DISTRICT  
Kelly, Louisiana

Annual Financial Statements

As of and for the Year Ended October 31, 2007

**C O N T E N T S**

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*M. Carleen Dumas*  
**CERTIFIED PUBLIC ACCOUNTANT**

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Accountant's Compilation Report**

BOARD OF COMMISSIONERS  
KELLY WATER DISTRICT  
Kelly, Louisiana

I have compiled the accompanying basic financial statements and supplemental information schedules, as listed in the foregoing table of contents, of the Kelly Water District as of October 31, 2007, and for the year then ended, in accordance with standards established by *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any form of assurance on them.

Management has elected to omit Management's Discussion and Analysis which is supplemental information required by GASB. If the omitted information were included in the financial statements, they might influence the user's conclusions about the village's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

/s Carleen Dumas  
Calhoun, Louisiana  
January 24, 2008

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## **BASIC FINANCIAL STATEMENTS**

KELLY WATER DISTRICT  
Kelly, LouisianaSTATEMENT OF NET ASSETS  
October 31, 2007**ASSETS**

## Current assets:

Cash	\$91,625
Investments	220,241
Accounts receivable - water sales (net of allowance for doubtful accounts)	<u>11,557</u>
Total current assets	<u>323,423</u>

## Noncurrent assets:

Property, plant and equipment (net of accumulated depreciation)	<u>208,808</u>
Total assets	<u>532,231</u>

**LIABILITIES**

## Current liabilities:

Accounts payable	98
Payroll taxes payable	80
Customer deposits	<u>18,277</u>
Total current liabilities	<u>18,455</u>

**NET ASSETS**

Invested in capital assets	208,808
Unrestricted	<u>304,968</u>
Total net assets	<u>\$513,776</u>

See accompanying notes and accountant's compilation report.

**Statement B****KELLY WATER DISTRICT  
Kelly, Louisiana****STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
For the Year Ended October 31, 2007****OPERATING REVENUES**

Water sales	\$102,928
Connection and reconnection fees	1,050
Other income	<u>283</u>
Total operating revenues	<u>104,261</u>

**OPERATING EXPENSES**

Office expense	4,391
Repairs and maintenance	24,835
Utilities	9,810
Insurance	9,745
Education	392
Salaries	40,839
Payroll taxes	3,124
Depreciation	16,394
Other operating expenses	<u>1,681</u>
Total operating expenses	<u>111,211</u>

<b>OPERATING INCOME (Loss)</b>	<u><b>(6,950)</b></u>
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**NON-OPERATING REVENUES**

Interest earned on deposits	8,158
Property taxes	<u>23,969</u>
Total non-operating revenues	<u>32,127</u>

<b>CHANGE IN NET ASSETS</b>	<u><b>25,177</b></u>
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<b>NET ASSETS - BEGINNING</b>	<u><b>488,599</b></u>
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<b>NET ASSETS - ENDING</b>	<u><u><b>\$513,776</b></u></u>
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See accompanying notes and accountant's compilation report.

**KELLY WATER DISTRICT**  
Kelly, Louisiana

**STATEMENT OF CASH FLOWS**  
For the Year Ended October 31, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$101,968
Customer deposit receipts, net	913
Payments to suppliers	(55,546)
Payments to employees	(40,839)
Net cash provided by operating activities	<u>6,496</u>

**CASH FLOWS FROM NON-CAPITAL  
FINANCING ACTIVITIES**

Purchase of equipment	<u>(1,369)</u>
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**CASH FLOWS FROM NON-CAPITAL  
FINANCING ACTIVITIES**

Property tax receipts	<u>23,969</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earnings on bank deposits	8,158
Increase in investments	(7,713)
Net cash provided by investing activities	<u>445</u>

**NET INCREASE IN CASH** 29,541

**CASH AT BEGINNING OF YEAR** 62,084

**CASH AT END OF YEAR** \$91,625

**Reconciliation of Operating Income (Loss) to Net Cash****Provided by Operating Activities**

Operating Loss (\$6,950)

**Adjustments:**

Depreciation	16,394
Increase in accounts receivable	(2,300)
Increase in customer deposits	913
Decrease in accounts and taxes payable	(1,561)
Total adjustments	<u>13,446</u>

Net cash provided by operating activities \$6,496

See accountant's compilation report and accompanying notes.

**KELLY WATER DISTRICT**  
**Notes to the Financial Statements**

**KELLY WATER DISTRICT**  
**Kelly, Louisiana**  
  
**Notes to the Financial Statements**  
**As of and for the Year Ended October 31, 2007**

**INTRODUCTION**

Kelly Water District was created by the Caldwell Parish Police Jury in 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury who serve for indefinite terms of office without the benefit of compensation. The district serves approximately 382 customers and has two employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Kelly Water District is considered a component unit of the Caldwell Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Statements**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

- (1) Management's discussion and analysis (MD&A)
- (2) Statement of net assets
- (3) Statement of revenues, expenses, and changes in net assets
- (4) Statement of cash flows
- (5) Notes to the financial statements
- (6) RSI other than MD&A, if applicable

The Kelly Water District is a special-purpose government engaged only in business-type activities.

See accountant's compilation report.

**KELLY WATER DISTRICT**  
**Notes to the Financial Statements**

**B. Measurement Focus, Basis of Accounting, and  
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Kelly Water District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Kelly Water District are water sales revenues and connection and reconnection fees. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Deposits and Investments**

Cash includes amounts in interest-bearing demand deposits. State law allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At October 31, 2007, the district's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

**D. Receivables**

Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is an estimate based on the amount of receivables that are 60 days or older at year end.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The district is authorized to levy a maximum tax of 10 mills annually

See accountant's compilation report.

KELLY WATER DISTRICT  
Notes to the Financial Statements

on property within the boundaries of the district for maintenance and operation of the district beginning with the year 1998 and ending with the year 2007. In October 2007, the voters of the district approved a millage renewal that extends the tax until 2017. The district levied 9.17 mills for the year ended October 31, 2007.

**E. Capital Assets**

Capital assets, which include the original water system and major improvements, buildings, and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Kelly Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water system and improvements	25 years
Buildings	25 years
Equipment	5-10 years

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS IN FINANCIAL INSTITUTIONS**

At October 31, 2007, the district has cash and investments (book balances) as follows:

Interest bearing checking account	\$27,949
Interest bearing savings accounts	63,676
Investments - certificates of deposit	<u>220,241</u>

See accountant's compilation report.

KELLY WATER DISTRICT  
Notes to the Financial Statements

Total \$311,866

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At October 31, 2007, the Kelly Water District has \$312,386 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$279,202 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

**3. ACCOUNTS RECEIVABLE**

At October 31, 2007, the district has net receivables of \$11,557 as follows:

Water sales	\$12,884
Allowance for uncollectible accounts	<u>(1,327)</u>
Net receivables	<u>\$11,557</u>

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended October 31, 2007, is as follows:

	Balance at November 1, 2006	Increases	Decreases	Balance at October 31, 2007
Capital assets being depreciated:				
Water system and improvements	\$604,971			\$604,971
Buildings	\$18,013			\$18,013
Equipment	35,689	\$1,369		37,058
Total capital assets being depreciated	<u>\$658,673</u>	<u>\$1,369</u>	<u>NONE</u>	<u>\$660,042</u>

See accountant's compilation report.

**KELLY WATER DISTRICT**  
**Notes to the Financial Statements**

Less accumulated depreciation  
for:

Water system and improvements	427,232	12,189		439,421
Buildings	4,009	721		4,730
Equipment	3,599	3,484		7,083
Total accumulated depreciation	<u>434,840</u>	<u>16,394</u>	<u>NONE</u>	<u>451,234</u>
Total assets being depreciated, net	<u>\$223,833</u>	<u>(\$15,025)</u>	<u>NONE</u>	<u>\$208,808</u>

Depreciation expense of \$16,394 for the year ended October 31, 2007 was reported in the enterprise fund statement of revenues, expenses, and changes in net assets.

**5. RISK MANAGEMENT**

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

See accountant's compilation report.

**SUPPLEMENTAL INFORMATION SCHEDULES**

See accountant's compilation report.

**KELLY WATER DISTRICT**  
**Kelly, Louisiana**

**SUPPLEMENTAL INFORMATION SCHEDULES**  
**As of and For the Year Ended October 31, 2007**

**STATUS OF PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in Schedule 1.

**CURRENT YEAR FINDINGS AND  
CORRECTIVE ACTION PLAN**

The corrective action plan for current year findings is presented in Schedule 2.

See accountant's compilation report.

KELLY WATER DISTRICT  
Kelly, LouisianaSTATUS OF PRIOR YEAR FINDINGS  
For the Year Ended October 31, 2007

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
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There were no prior year findings.

See accountant's compilation report.

KELLY WATER DISTRICT  
Kelly, LouisianaCURRENT YEAR FINDINGS AND  
CORRECTIVE ACTION PLAN  
For the Year Ended October 31, 2007

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
N/A	Bank balances totaling \$33,184 were not secured at October 31, 2007.	The bank is aware of the deficiency and is taking action to correct.	Glenda Moreno, Secretary	02/29/08

See accountant's compilation report.